

COVER PAGE

THIS COVER PAGE MUST BE COMPLETED BEFORE SUBMITTING THE REPORT TO THE COMMITTEE SECTION:

I, Senzo Mngomezulu, declare that the information in this report is adequately researched with the information at my disposal and is correct and credible to the best of my knowledge.

| | | |
|---|---|---|
| Report writer's Signature | Manager's Signature | Head of Section's Signature |
| S Mngomezulu | C Da Cruz | H Renald |
| Name In Block Letters Contact number: x5315 Date: | Name In Block Letters Contact number: x5319 Date: | Name In Block Letters Contact number: x5091 Date: |
| Deputy City Manager's Signature | | |
| M Kunene | | |
| Name In Block Letters Contact number: x5092 Date: | | |
| STOP!!! STOP!!!! COM SEC WILL SUBMIT TO MM FOR SIGNATURE | HOS: ADMINISTRATION Signature | CITY MANAGER'S Signature |
| COMMITTEE SECTION | | |
| MS L SITHOLE | MR X CHONCO | MR NG ZULU |
| Contact number: 5070 | Contact number: 5683 | Contact number: 5023 |
| Date: | Date: | Date: |

Attachments: Report writers must ensure that all the necessary and appropriate annexures are SEMIPRIV VIEW AND SHARE and are available electronically. Please ensure that all pages are numbered correctly. If no SHARING rights are allocated, the Committee Section cannot drop attachments in dropbox for agendas) as Annexures will no longer be included in reports.

Once all the above signatures have been obtained, the report is to be scanned and sent via GroupWise to the COMMITTEE SECTION, relevant COMMITTEE OFFICER and the original signed HARD copy be placed in the box OUTSIDE THE PRINTING ROOM AND ENTERED INTO THE REGISTER/CLIPBOARD. Once we are done with the reports and agendas, the hard copy will be returned to you/your department to retain for Auditing purposes.

FINANCIAL REPORTING AS AT 28 FEBRUARY 2023

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 28 February 2023 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

| NATIONAL KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | |
|--|--|--|
| GOALS | OBJECTIVES | STRATEGIES |
| 5.1 Sound Financial And Supply Chain Management | 5.1.1 Compliance with financial legislation and policies | 5.1.1.1 GRAP compliant |
| | | 5.1.1.2 mSCOA compliant |
| | | 5.1.1.3 Review of all related financial policies |
| | | 5.1.1.4 Compliance with all MFMA and relevant local government financial legislation |
| | 5.2.1 Sustainable Financial management (Expenditure and Revenue) | 5.2.1.1 Provide continuous Internal Communication and support on Budget and Financial Management matters |
| | | 5.2.1.2 Asset Accounting Management |
| | | 5.2.1.3 Accurate and timeous billing and receipting of revenue |
| | | 5.2.1.4 Apply Adequate Internal controls |
| | | 5.2.1.5 Accurate and timeous payments of creditors |
| | | 5.2.1.6 Apply adequate financial management methodologies |
| | 5.3.1 Supply Chain Management | 5.3.1.1 Demand and acquisition management |
| | | 5.3.1.2 Accurate contracts and logistics management |
| | | 5.3.1.3 Apply adequate financial management methodologies |

BACKGROUND

Section 71 of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the mentioned Act.

The Accounting Officer of the Municipality must report by no later than ten (10) working days after the end of each month to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the Municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a

format and for the prescribed period. It is considered appropriate to report on this section of the Act on a monthly basis to coincide with the reporting requirements of Section 71(1) of the Act.

As mentioned above, the MFMA Section 71 (1) refers to a prescribed format according to which the annual budget is required to be prepared. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the National Treasury issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 November 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from November 2010.

The objectives of the budget format reforms in terms of these regulations are:

- ❖ To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing Municipal Budget and Financial Reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of Municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 November 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations took effect from 1 November 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective, the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the Standard Chart of Accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the Standard Chart of Accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by the National Treasury.

In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

Section 1 of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

“A detailed plan approved by the Mayor of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate:

- (a) *Projections for each month of-*
 - (i) *Revenue to be collected, by source; and*
 - (ii) *Operational and capital expenditure, by vote.”*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of February 2023 is included under **Annexures AA and AB (DMS 1586826)**.

TABLE OF CONTENTS

| | |
|--|---|
| PART 1 - IN-YEAR REPORT | |
| 1. | Mayor’s report for the month of February 2023 |
| 2. | Resolutions |
| 3. | Executive Summary |
| 3.1 | Executive Summary - Operating Budget |
| 3.2 | Executive Summary - Cash Flow Situation |
| 3.3 | Executive Summary - Grants Balances |
| 3.4 | Executive Summary - Capital Budget Summary |
| 3.5 | Executive Summary - Expenditure per Category |
| 3.6 | Executive Summary - Revenue per Category |
| 3.7 | Executive Summary - Creditors Age Analysis |
| 3.8 | Executive Summary - Debtors Age Analysis |
| 3.9 | Executive Summary - Employee Debt and Councillor Debt |
| 3.10 | Executive Summary – Financial Ratios |
| 4. | In-year budget statement tables |
| PART 2 - SUPPORTING DOCUMENTATION | |
| 5. | Debtors’ Analysis |
| 6. | Creditors’ Analysis |
| 7. | Investment portfolio analysis |
| 8. | Allocation and grant receipts and expenditure |
| 9. | Councillor allowances and employee benefits |
| 10. | Capital programme performance |
| 11. | Municipal Manager’s quality certification |

PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF FEBRUARY 2023

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

- “(a) *a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;*

The Mayor has considered the Section 71 report for the month of February 2023, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in January 2023. A detail of all the points highlighted by the Mayor is included in the report.

Operational Budget

The monthly budget statement summary (Table C1) for the month of February 2023 (year to date actual) shows a deficit of R101 million. The performance in this area is **Not Acceptable**. The deficit of R101 million is an indicator of strain on the municipal operating budget. Departments are urged to prioritise spending their budget on service delivery other than administrative expenditure.

There is also an increase of over-expenditure requests from departments. This type of requests should be the last resort for departments after they identified their own savings. The CFO is not approving any over-expenditure requests because there are no additional funds instead there is an increase in deficit.

Capital Budget

Council is in the third quarter of the financial year and capital expenditure is at R609 million (56,31%). This is based on the Adjusted Budget of R1,081 billion. The performance in this area is **Acceptable**.

Cash Flow

In terms of Council's Adopted Working Capital Policy, the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,65:1 (Cash in Bank against average monthly liability's – R193 771/R300 900). This is below the norm therefore the performance in this area is **Not acceptable**.

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. **EXECUTIVE SUMMARY**

This section deals with the financial status of the Municipality at an executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

3.1 **Operating Budget**

The following table represents an executive summary for the financial period ended 28 February 2023:

| DESCRIPTION | ADJUSTED BUDGET 2022/2023 | PRO-RATA ADOPTED BUDGET (YTD) | ACTUAL FEBRUARY 2023 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|-----------------------------|---------------------------------|-------------------------------------|----------------------------------|--|
| | R | R | R | % |
| Revenue | 4 003 702 700 | 2 624 915 418 | 2 512 188 898 | 95,71% |
| Expenditure | 4 159 611 500 | 2 698 207 605 | 2 613 195 690 | 96,85% |
| Operating Surplus/(Deficit) | (155 908 800) | (73 292 186) | (101 006 792) | |

3.2 **Cash Flow Situation**

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 0,65:1 (193 771/300 600). Part of the reason for the low cash coverage is due to the fact that the Municipality has not taken up its capital loan as yet of which R373 million has been spent to date.

3.3 Grants Balances

| DESCRIPTION OF GRANT | ADJUSTED GRANTS BUDGET 2022/23 | AMOUNT RECEIVED AS AT 28/02/2023 | ACTUAL EXPENDITURE AS AT 28/02/2023 | % EXPENDITURE TO AMOUNT RECEIVED | % EXPENDITURE TO TOTAL | COMMENTS |
|--|--------------------------------|----------------------------------|-------------------------------------|----------------------------------|------------------------|--|
| NATIONAL TREASURY | | | | | | |
| Equitable Share | 471 939 000 | 341 369 000 | 314 626 000 | 92% | 67% | In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. This grant is primarily for the provision of basic municipal Services. |
| Intergrated Urban Development Grant-IUDG | 147 172 000 | 88 303 000 | 93 301 117 | 106% | 63% | IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure. Although expenditure is more than what is recieved, third trench is expected to be recieved in March 2023. |
| Financial Management Grant | 2 500 000 | 2 500 000 | 1 306 232 | 52% | 52% | Spending is in accordance with the support plan submitted to National Treasury for the grant. Most of the expenditure is planned for the current and last quarter for this financial year. |
| Water services infrastructure grant | 50 000 000 | 10 000 000 | 12 831 545 | 128% | 26% | To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service. Payment of the remaining balance of the grant is expected in March 2023 |
| Extended Public Works Pogramme | 3 213 000 | 2 250 000 | 1 430 998 | 64% | 45% | The grant is for the operational expenditure for EPWP. Expenditure shown is the total actual operating costs of the EPWP for the period under review. |
| Energy Efficiency and Demand Management | 5 000 000 | 2 000 000 | 3 994 975 | 200% | 80% | To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. Payment of the remaining balance of the grant is expected in March 2023 |
| TOTAL NATIONAL TREASURY GRANTS | 679 824 000 | 446 422 000 | 427 490 868 | 96% | 63% | |

| DESCRIPTION OF GRANT | ADJUSTED GRANTS BUDGET 2022/23 | AMOUNT RECEIVED AS AT 28/02/2023 | ACTUAL EXPENDITURE AS AT 28/02/2023 | % EXPENDITURE TO AMOUNT RECEIVED | % EXPENDITURE TO TOTAL | COMMENTS |
|---|--------------------------------|----------------------------------|-------------------------------------|----------------------------------|------------------------|--|
| PROVINCIAL TREASURY | R | R | R | % | % | |
| Provincialisation of Libraries | 9 593 000 | 9 593 000 | 21 583 438 | 225% | 225% | Expenditure shown is the total actual operating costs of the Libraries for the period under review. The allocation was received in the current period under review. |
| Community Library Services Grant (Cyber cadets) | 2 032 000 | 2 032 000 | 1 941 505 | 96% | 96% | Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review. The allocation was received in the current period under review. |
| Housing Operating Account | 3 177 000 | 3 394 084 | 11 415 311 | 336% | 359% | Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review. |
| Museum Subsidy | 235 000 | 235 000 | 2 326 450 | 990% | 990% | Expenditure shown is the total actual operating costs of the Museum for the period under review. |
| Sports and Recreation - Capital | 10 944 000 | - | - | | 0% | This grant is for capital to help build sports facilities and develop sports and recreation, |
| TOTAL PROVINCIAL TREASURY GRANTS | 25 981 000 | 15 254 084 | 37 266 704 | 244% | 143% | |
| | | | | | | |
| TOTAL GRANTS AND SUBSIDIES | 705 805 000 | 461 676 084 | 464 757 572 | 101% | 66% | |

3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 28 February 2023:

| FUNCTION | ADJUSTED BUDGET 2022/2023 | ACTUAL FEBRUARY 2023 (YTD) | % OF ADJUSTED BUDGET SPENT |
|-------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| | R | R | % |
| Finance and Administration | 113 382 900 | 79 066 546 | 69,73% |
| Community and Social Services | 42 182 700 | 6 231 155 | 14,77% |
| Energy Sources | 56 265 400 | 44 754 060 | 79,54% |
| Executive and Council | 106 000 | 28 804 | 27,17% |
| Environmental Protection | 4 500 000 | 422 245 | 9,38% |
| Air Transport - Air port | 14 800 000 | 2 902 516 | 19,61% |
| Planning and Development | 50 420 500 | 335 840 | 0,67% |
| Public Safety | 2 399 900 | 952 458 | 39,69% |
| Road Transport | 112 433 200 | 31 519 635 | 28,03% |
| Sport and Recreation | 220 066 100 | 92 642 810 | 42,10% |
| Waste Management | 10 872 800 | 264 399 | 2,43% |
| Waste Water Management | 103 409 900 | 72 359 014 | 69,97% |
| Water | 350 769 300 | 277 553 963 | 79,13% |
| | 1 081 608 700 | 609 033 445 | 56,31% |

| SOURCE OF FUNDING | ADJUSTED BUDGET 2022/2023 | ACTUAL FEBRUARY 2023 (YTD) | % OF ADJUSTED BUDGET SPENT |
|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| | R | R | % |
| Borrowing | 598 387 100 | 373 097 615 | 62,35% |
| Capital Replacement Reserve | 259 363 600 | 125 513 422 | 48,39% |
| Integrated Urban Development Grant | 139 814 000 | 94 286 845 | 67,44% |
| Government Grants - National | 72 600 000 | 15 038 796 | 20,71% |
| Government Grants - Provincial | 11 444 000 | 1 096 767 | 9,58% |
| TOTAL | 1 081 608 700 | 609 033 445 | 56,31% |

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 28 February 2023:

| EXPENDITURE BY TYPE | ADJUSTED BUDGET 2022/2023 | PRO-RATA ADOPTED BUDGET (YTD) | ACTUAL FEBRUARY 2023 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|--|---------------------------|-------------------------------|----------------------------|----------------------------------|
| | R | R | R | % |
| Employee related costs | 1 142 648 200 | 714 780 458 | 702 382 349 | 98,27% |
| Remuneration of Councillors | 37 291 100 | 23 117 648 | 21 834 316 | 94,45% |
| Debt Impairment | 172 510 200 | 115 764 939 | 116 856 710 | 100,94% |
| Depreciation and asset impairment | 340 536 500 | 222 404 948 | 220 395 939 | 99,10% |
| Finance Charges | 88 221 900 | 53 146 514 | 49 594 694 | 93,32% |
| Bulk Purchases - Electricity | 1 236 241 700 | 825 227 157 | 831 336 981 | 100,74% |
| Inventory consumed - Water | 401 327 100 | 254 600 000 | 195 245 744 | 76,69% |
| Inventory consumed - Materials | 171 908 300 | 114 605 533 | 120 539 854 | 105,18% |
| Contracted Services | 464 066 000 | 250 407 887 | 216 404 859 | 86,42% |
| Transfers and grants | 9 528 000 | 7 873 194 | 6 612 102 | 83,98% |
| Other Expenditure | 350 506 800 | 223 601 300 | 212 957 569 | 95,24% |
| Losses - Water Inventory (note 1) | 214 797 800 | 205 992 759 | 234 337 742 | 113,76% |
| Inventory consumed - Capitalisation (note 2) | (469 972 100) | (313 314 733) | (315 303 170) | 100,63% |
| TOTAL | 4 159 611 500 | 2 698 207 605 | 2 613 195 690 | 96,85% |

The above table represents operating expenditure per category as at 28 February 2023.

Given that the Municipality has a budgeted deficit for the year of R155 Million, ideally the Administration must attempt **to shave off between 3 to 5 percent** of the operational expenditure in order to bring stability to the operational finances.

- **Inventory Consumed – Materials** – Materials are drawn at a higher rate than normal. Currently materials is sitting at 105,18% over year to date budget which is 5,18% higher. The most concerning part is the stock issued that have not yet been captured on SAP due to insufficient funds which will increase expenditure even more. The Departments are requested to protect materials and be used for what it's intended to maintain municipal infrastructure.
- **Losses – Water Inventory** - Of specific concern is that **Water losses** are increasing at an alarming rate. See table below where Potable Water (Drinking Water) has **now risen to 54% from an anticipated loss of 33%**.

Note 1 and 2 above:

In terms of Version 6.5 of the mSCOA Chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. This model has been derived after consultation with the National Water and Sanitation Department and will ensure that water inventory is correctly reflected.

| Water Inventory - in Rands | | | | | | |
|---|------------------------|--------------------|-------------------|-----------------------------|--------------------|-------------------|
| Water Inventory | Original Budget | | | Year to Date Actuals | | |
| | Total | Potable | Clarified | Total | Potable | Clarified |
| | R | R | R | R | R | R |
| Output | | | | | | |
| Inventory consumed - Water Billed (Authorised) | 395 165 900 | 371 793 500 | 23 372 400 | 193 312 618 | 180 673 389 | 12 639 229 |
| Inventory consumed - Water Unbilled (Authorised) | 6 161 200 | 5 884 700 | 276 500 | 1 933 126 | 1 806 734 | 126 392 |
| Total - Inventory consumed - Water | 401 327 100 | 377 678 200 | 23 648 900 | 195 245 744 | 182 480 123 | 12 765 621 |
| Loss - Water Inventory | 214 797 800 | 210 792 600 | 4 005 200 | 233 500 375 | 230 390 039 | 3 110 336 |
| Total Water Inventory (Consumed plus losses) | 616 124 900 | 588 470 800 | 27 654 100 | 428 746 119 | 412 870 162 | 15 875 957 |

| Water Inventory - in Units (kl) | | | | | | |
|---|------------------------|-------------------|------------------|-----------------------------|-------------------|------------------|
| Water Inventory | Original Budget | | | Year to Date Actuals | | |
| | Total | Potable | Clarified | Total | Potable | Clarified |
| | kl | kl | kl | kl | kl | kl |
| Output | | | | | | |
| Inventory consumed - Water Billed (Authorised) | 35 474 796 | 30 842 250 | 4 632 546 | 17 491 971 | 15 789 527 | 1 702 444 |
| Inventory consumed - Water Unbilled (Authorised) | 542 980 | 488 168 | 54 812 | 174 920 | 157 895 | 17 024 |
| Total - Inventory consumed - Water | 36 017 776 | 31 330 418 | 4 687 358 | 17 666 891 | 15 947 423 | 1 719 468 |
| Loss - Water Inventory | 18 074 971 | 17 284 759 | 790 212 | 20 884 102 | 20 050 152 | 833 950 |
| % Loss - Water Inventory | 33,4% | 35,6% | 14,4% | 54,2% | 55,7% | 32,7% |
| Total Water Inventory (Consumed plus losses) | 54 092 747 | 48 615 177 | 5 477 570 | 38 550 993 | 35 997 575 | 2 553 418 |

3.6 Revenue per Category

The source of funding for the above comprises the following revenue categories:

| REVENUE BY SOURCE | ADJUSTED BUDGET 2022/2023 | PRO-RATA ADOPTED BUDGET (YTD) | ACTUAL FEBRUARY 2023 (YTD) | % PRO-RATA ADJUSTED BUDGET SPENT |
|--|---------------------------|-------------------------------|----------------------------|----------------------------------|
| | R | R | R | % |
| Rates | 680 990 200 | 458 426 757 | 428 364 256 | 93,44% |
| Service Charges – Electricity revenue | 1 866 242 400 | 1 214 290 178 | 1 202 165 209 | 99,00% |
| Service Charges – Water revenue | 491 148 100 | 332 940 625 | 327 741 174 | 98,44% |
| Service Charges – Sanitation revenue | 114 066 300 | 74 982 906 | 71 488 904 | 95,34% |
| Service Charges – Refuse revenue | 106 813 300 | 71 633 674 | 70 827 145 | 98,87% |
| Rental of facilities and equipment | 6 976 500 | 4 651 000 | 6 572 434 | 141,31% |
| Interest earned – external investments | 66 700 000 | 44 466 667 | 19 959 146 | 44,89% |
| Interest earned – outstanding debtors | 28 000 | 18 667 | - | 0,00% |
| Fines, penalties and forfeits | 57 691 000 | 38 460 667 | 2 552 595 | 6,64% |
| Licences and permits | 3 525 900 | 2 350 600 | 1 798 936 | 76,53% |
| Agency services | 6 179 400 | 4 119 600 | 4 331 884 | 105,15% |
| Operating Transfers and Subsidies | 525 345 100 | 351 850 613 | 357 743 704 | 101,67% |
| Other Revenue | 40 085 200 | 26 723 467 | 18 643 512 | 69,76% |
| Gains - Employee related costs | 37 911 300 | - | - | 0,00% |
| TOTAL OPERATING REVENUE | 4 003 702 700 | 2 624 915 418 | 2 512 188 898 | 95,71% |

The above table represents operating revenue per category as at 28 February 2023.

3.7 Creditors Age Analysis

Creditors age analysis by customer type:

| Creditors Age Analysis By Customer Type | 0 - 30 Days | 31 - 60 Days | 61 - 90 Days | 181 Days - 1 Year | Over 1 Year | Total |
|---|--------------------|-------------------|------------------|-------------------|------------------|--------------------|
| | R | | R | R | R | R |
| Bulk Electricity | 95 307 941 | - | | - | - | 95 307 941 |
| Bulk Water | 18 989 470 | 23 117 475 | | - | - | 42 106 945 |
| PAYE deductions | 16 022 710 | - | - | - | - | 16 022 710 |
| Pensions / Retirement deductions | 12 921 962 | - | - | - | - | 12 921 962 |
| Trade Creditors | 2 802 268 | - | 1 307 504 | 7 813 591 | 1 099 362 | 13 022 725 |
| Total By Customer Type | 146 044 352 | 23 117 475 | 1 307 504 | 7 813 591 | 1 099 362 | 179 382 284 |

The above table represents the ageing of creditors outstanding as at 28 February 2023. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of February 2023 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off. However, the final signoff and verification still needs to be done by User Departments.

3.8 Debtors Report

FINANCIAL REPORTING ON INCOME / DEBT

| DEBTORS AGE ANALYSIS BY CATEGORY | 0-30 DAYS | 31-60 DAYS | 61-90 DAYS | OVER 90 DAYS | TOTAL |
|----------------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| Organs of State | 147 682 279 | 14 994 114 | 33 132 901 | 207 956 545 | 403 765 840 |
| Business | 145 793 864 | 5 435 491 | 3 891 197 | 78 595 704 | 233 716 256 |
| Households | 44 857 445 | 7 298 793 | 5 897 081 | 204 955 256 | 263 008 575 |
| Other | 1 015 526 | 361 384 | 350 287 | 4 554 419 | 6 281 616 |
| Total | 339 349 114 | 28 089 783 | 43 271 467 | 496 061 924 | 906 772 287 |
| % | 37,42% | 3,10% | 4,77% | 54,71% | |

Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable the National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will, therefore be used in the reporting.

Debt Collection Rate

The Ratio indicates the collection rate; *i.e.* level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the Circular:

| Formula (As per circular 71) | Norm |
|--|------------------------|
| Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100 | The norm is 95% |

| PAYMENT RATIO | | | | | |
|--|--|---------------------|---|--------------------------------|--|
| RATIO | FORMULA | NORM / RANGE | INPUT DESCRIPTION | DATA INPUTS AND RESULTS | INTERPRETATION |
| 1 Collection Rate - Rolling 12 Months | Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100 | 95% | | 101% | Please refer to page 5 of MFMA Circular No. 71 |
| | | | Gross Debtors closing balance February 2023 | 906 221 038 | |
| | | | Gross Debtors opening balance March 2022 | 964 977 609 | |
| | | | Bad debts written Off February 2022 to January 2023 | 29 739 962 | |
| | | | Billed Revenue March 2022 - February 2023 | 3 205 587 648 | |

➤ Net Debtors Days

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its consumers for bills/invoices issued to them for services. The Ratio excludes balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful Debts:

| Formula (As per circular 71) | Norm |
|---|----------------------------|
| ((Gross Debtors - Bad Debt Provision) / Billed Revenue) x 365 | The norm is 30 Days |

| NETT DEBTORS IN DAYS | | | | | |
|-----------------------------|--|---------------------|---|--------------------------------|--|
| RATIO | FORMULA | NORM / RANGE | INPUT DESCRIPTION | DATA INPUTS AND RESULTS | INTERPRETATION |
| 2 Net Debtors Days | ((Gross Debtors - Bad Debt Provision) / Billed Revenue)) x 365 | 30 days | | 86,46 days | Please refer to page 6 of MFMA Circular No. 71 |
| | | | Gross Debtors closing balance February 2023 | 906 221 038 | |
| | | | Bad debts Provision 2022 / 2023 | 146 879 700 | |
| | | | Billed Revenue March 2022 - February 2023 | 3 205 587 648 | |

➤ **Top 10 Debtors**

| TOP TEN DEBTORS FROM ALL CATEGORIES | | | | | | | |
|-------------------------------------|----------------------|------------------|-------------------|------------------|-------------------|--------------------|--------------------|
| Account No | Consumer Type | 0-30 days | 31-60 Days | 61-90 Days | 91-120 Days | 121 days + | Total |
| 1088329 | STATE OWNED | 6 566 410 | 11 188 990 | 6 468 349 | 5 529 719 | 76 891 877 | 106 645 346 |
| 501543 | STATE OWNED | - | 8 115 876 | 2 284 845 | 4 503 801 | 66 267 215 | 81 171 737 |
| 1854904 | PRIVATE BUSINESS | - | - | - | - | 22 377 590 | 22 377 590 |
| 551583 | STATE OWNED | 2 017 160 | 1 102 526 | 1 100 021 | 1 088 143 | 10 445 056 | 15 752 906 |
| 1610626 | PRIVATE BUSINESS | - | - | - | - | 6 106 823 | 6 106 823 |
| 416383 | PRIVATE BUSINESS | 227 664 | 75 888 | 75 888 | - | 5 213 482 | 5 592 921 |
| 2289941 | PRIVATE BUSINESS | - | - | - | - | 5 044 907 | 5 044 907 |
| 1632348 | STATE OWNED ENTITIES | 570 783 | 1 208 312 | - | 1 056 147 | 4 693 793 | 7 529 034 |
| 2328365 | STATE OWNED ENTITIES | - | - | - | - | 4 615 650 | 4 615 650 |
| 2273109 | STATE OWNED | 700 | - | - | - | 3 853 332 | 3 854 032 |
| | | 9 382 717 | 21 691 592 | 9 929 103 | 12 177 810 | 205 509 723 | 258 690 946 |

Government Debt

Government debtors shown as follows:

| GOVERNMENT DEPARTMENTS | | | | | | |
|---|-------------------|-------------------|-------------------|--------------------|----------------------|--------------------|
| National Departments | 0-30 days | 31-60 Days | 61-90 Days | 91-120 Days | 121 days plus | Total |
| National Public Works | 10 484 282 | 1 540 844 | 374 031 | 304 082 | 2 889 159 | 15 592 398 |
| Dept of Agriculture and Rural Development & land Reform | 9 527 | - | - | - | 13 186 | 22 714 |
| Department of Water Affairs and Sanitation | - | - | - | - | -2 128 862 | -2 128 862 |
| | 10 493 810 | 1 540 844 | 374 031 | 304 082 | 773 483 | 13 486 250 |
| Provincial Departments | | 31-60 Days | 61-90 Days | 91-120 Days | 121 days plus | Total |
| Public Works | 70 147 | 33 594 | 33 086 | -170 873 | 4 320 359 | 4 286 312 |
| Education | 3 282 178 | 287 458 | 338 395 | 245 393 | 2 371 084 | 6 524 508 |
| Tvet Colleges | 2 733 988 | 429 228 | 272 337 | 1 287 | 1 817 399 | 5 254 239 |
| Human Settlement | 84 232 | 6 807 | 4 271 | 4 180 | 629 391 | 728 880 |
| Department of Transport | 260 082 | 122 781 | 119 272 | 78 103 | 349 385 | 929 623 |
| Department of Health | 2 923 327 | -66 611 | 49 844 | 36 442 | 4 340 069 | 7 283 071 |
| Department of Social Welfare | 199 731 | 3 379 | - | - | - | 203 110 |
| | 9 553 686 | 816 635 | 817 204 | 194 533 | 13 827 686 | 25 209 744 |
| Other Organs of State | | 31-60 Days | 61-90 Days | 91-120 Days | 121 days plus | Total |
| Transnet | 8 650 147 | 8 105 | -156 641 | 5 005 | -218 849 | 8 287 768 |
| ESKOM | 138 962 | 685 | 2 218 | 2 019 | 60 992 | 204 876 |
| Ingonyama Trust Board | - | - | - | - | 11 406 271 | 11 406 271 |
| Telkom | 678 619 | 699 | 798 | 694 | 3 944 | 684 754 |
| Foskor | 10 923 920 | 11 994,55 | 11 994,55 | 11 994,55 | 1 668 919,73 | 12 628 823,53 |
| SA Post Office | 15 354 | 8 758 | 7 765 | - | -8 701 | 23 176 |
| Richards Bay IDZ | 3 013 276 | - | - | - | - | 3 013 276 |
| Mhlathuze Water Board | 4 302 388 | 1 481 | 21 328 768 | - | -1 | 25 632 636 |
| King Cetshwayo District Municipality | 20 172 681 | 12 150 136 | 10 266 207 | 12 635 979 | 157 494 465 | 212 719 469 |
| | 47 895 348 | 12 181 859 | 31 461 109 | 12 655 693 | 170 407 042 | 274 601 050 |

3.9 Employee Debt / Councillor Debt

At the previous Financial Services Portfolio Committee meeting, Councillors requested that Officials' and Councillors' debt be submitted to Council.

Employees' debt amounts to R392 363,74 as per **Annexure AD - DMS 1586826**.

Councillors' debt amounts to R19 606,35 as per **Annexure AC - DMS 1586826**.

3.10 Circular 71 Uniform Financial Ratios

Circular 71 financial ratios covers various aspects of a municipality's finances, such as financial position, financial performance and budget implementation. These ratios also aid in long-term financial planning and can be used to track progress over a number of years. Norms or standards have been assigned to each financial ratio.

This template is included as **annexure AF on DMS 1586826**.

4. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1587533**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

| TABLE NUMBER | DESCRIPTION | ANNEXURE |
|--------------|---|----------|
| Table C1 | Monthly Budget Statement Summary | A |
| Table C2 | Monthly Budget Financial Performance (Standard Classification) | B |
| Table C2C | Monthly Budget Financial Performance (Detail) (Standard Classification) | C |
| Table C3 | Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote) | D |
| Table C3C | Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote) | E |
| Table C4 | Monthly Budget Financial Performance (Revenue by source and Expenditure by Item) | F |
| Table C5 | Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding | G |
| Table C5C | Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding | H |
| Table C6 | Monthly Budgeted Financial Position | I |
| Table C7 | Monthly Budgeted Cash Flows | J |
| Table SC1 | Material variance explanations | K |
| Table SC2 | Monthly Performance indicators | L |
| Table SC3 | Aged Debtors | M |
| Table SC4 | Aged Creditors | N |
| Table SC5 | Investment Portfolio | O |
| Table SC6 | Transfers and grant receipts | P |
| Table SC7(1) | Transfers and grant expenditure | Q |
| Table SC7(2) | Expenditure Against Approved Rollovers | R |
| Table SC8 | Councillor and Staff Benefits | S |
| Table SC9 | Monthly actuals and revised targets for cash receipts (cash flow) | T |
| Table SC12 | Monthly capital expenditure trend | U |
| Table SC13a | Monthly capital expenditure on new assets by asset class | V |
| Table SC13b | Monthly capital expenditure on the renewal of existing assets by asset class | W |
| Table SC13c | Monthly repairs and maintenance expenditure by asset class | X |
| Table SC13d | Monthly depreciation by asset class | Y |
| Table SC13e | Monthly capital expenditure on upgrading of existing assets by assets class | Z |

PART 2 - SUPPORTING DOCUMENTATION

5. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) (**DMS 1587533**) for the month ended 28 February 2023.

6. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) (**DMS 1587533**) for the month ended 28 February 2023.

7. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) (**DMS 1587533**) for the month ended 28 February 2023.

8. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) (**DMS 1587533**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) (**DMS 1587533**) for the month ended 28 February 2023.

9. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) (**DMS 1587533**) for the month ended 28 February 2023.

10. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 28 February 2023:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**) (**DMS 1587533**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**) (**DMS 1587533**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**) (**DMS 1587533**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**) (**DMS 1587533**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**) (**DMS 1587533**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**) (**DMS 1587533**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**) (**DMS 1587533**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**) (**DMS 1587533**).

11. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 1587973 (Annexure AE)**.

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

The monthly financial report is prepared in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive Summary contained in this report for comments.

COMMENTS OF THE CITY MANAGER

The report is noted by the Office of the City Manager.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 28 February 2023, as required in terms of Section 71 and Section 66 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and as set out in the monthly budget statement tables **(DMS 1587533)**, be noted.